

# **FRAUD ASSESSMENT COMMISSION**

Summary Meeting Minutes  
Thursday, July 27, 2006  
Sacramento, California

In attendance: William Zachry, Chairperson, and Commission Member Jiles Smith and via teleconference Commission Members Gary Canepa, Chuck Center and Carol Schatz.

Others present: Rick Plein, Bureau Chief, Workers' Compensation Program, Vanessa Himmelblau, Staff Counsel with the Department's Legal Division and via teleconference, Christine Baker, Executive Director, Commission on Health & Safety & Workers' Compensation.

Chairperson Zachry reported that a few years ago, the California State Auditor had conducted an audit of the Workers' Compensation Program. One of the recommendations made was to have a study performed to determine the nature and extent of fraud within the California Workers' Compensation system. Additionally, the audit report cited Professor Malcom Sparrow, a professor at the Harvard Kennedy school of Government, had conducted similar research studies. The Commission has already begun seeking advice from Professor Sparrow

The Fraud Assessment Commission voted on the study and the process and further determined that no award of contract would be made until the FAC had a final bid, and reviewed all the proposals. The FAC requested that the Commission on Health and Safety and Workers' Compensation (CHSWC) use some of their resources to assist in the development of the research study.

Christine Baker, Executive Director, CHSWC, reported that the Request for Proposal was developed by staff, sent out to the public for bidding, posted on the Department of General Services, and met all of the requirements of the Department of General Services.

The next step was an oral bidder conference in which members from the Department of Insurance, Fraud Assessment Commission and CHSWC responded to a number of bidders' questions. The field was then narrowed down to four bidders who could do the job. Ultimately, those bidders chose to submit proposals for review.

These proposals were reviewed by the Department of Insurance to ensure that they met the technical requirements of the Small Business and Veterans' preferences and contractual requirements. Additionally, Professor Sparrow reviewed the technical research requirements and provided the eight evaluators with feedback. The team was comprised of state personnel individuals, as required in order to evaluate a bid. This team followed the technical requirements and evaluated the bidders, both on oral

presentation and on written responses. Only one of the four final bidders met all of the technical requirements and is the final bid recommended for the award.

Chairperson Zachry commented that the one company that met all the technical requirements is Navigant. The FAC engaged in some discussion regarding the proposal.

Dennis Bauer, Orange County District Attorney's Office, Workers' Compensation Fraud Prosecution Unit, addressed the FAC. Mr. Bauer commented that he had spoken with the CDAA Insurance Fraud Sub-Committee Chair, Gary Fagan and with Los Angeles Head Deputy Lance Wong and all were concerned that \$1 million funding may best be utilized by the prosecuting attorneys.

However, after the discussion today, Mr. Bauer recognized that the study would perhaps provide information on the amount of fraud by determining how much over and underpayment there actually is. Chairperson Zachry remarked that last November, the FAC determined the aggregate funding for the Workers' Compensation Fraud Program. Additionally, they assessed funding for the research project.

The FAC had no intention of basing the funding on the results of the study. Chairperson Zachry stated, "The expectation is that if we have a better way to focus the money so that we can maximize the effectiveness, we certainly want to do so."

#### **Motion**

Commission member Jiles Smith made the motion that the remaining \$131,265 (from the \$1 million assessment) be utilized for Dr. Malcom Sparrow and some additional areas of research.

Commission member Chuck Center seconded the motion.

#### **Action**

Chuck Center	Aye
Carol Schatz	Aye
Gary Canepa	Aye
Jiles Smith	Aye
Chairman Zachry	Aye

The motion carried unanimously.

#### **Motion**

Commissioner Chuck Center made the motion to accept the proposal by Navigant.

#### **Action**

Because some FAC members were via teleconference, the Chairperson called the roll.

Schatz	Aye
Center	Aye
Canepa	Aye

Smith	Aye
Zachry	Aye

The motion passed unanimously.

**Motion**

Mr. Smith made the motion to adjourn.

The motion was seconded and the meeting adjourned at 9:31 a.m.